



# House of Representatives

General Assembly

**File No. 300**

*January Session, 2003*

Substitute House Bill No. 6355

*House of Representatives, April 10, 2003*

The Committee on Labor and Public Employees reported through REP. RYAN of the 139th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

***AN ACT CONCERNING PURCHASE OF CREDIT IN THE MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM FOR SERVICE TO MUNICIPALITIES THAT ARE NOT SYSTEM MEMBERS.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subsection (a) of section 5-155a of the general statutes is  
2 repealed and the following is substituted in lieu thereof (*Effective from*  
3 *passage*):

4 (a) The general administration and responsibility for the proper  
5 operation of the state employees retirement system is vested in a single  
6 board of trustees to be known as the Connecticut State Employees  
7 Retirement Commission. Notwithstanding the provisions of section 4-  
8 9a, the Retirement Commission shall consist of the following: (1) Six  
9 trustees representing employees who shall be appointed by the  
10 bargaining agents in accordance with the provisions of applicable  
11 collective bargaining agreements. The trustees representing employees  
12 shall not be members of the same bargaining unit. The trustees

13 representing employees shall serve three-year terms; (2) six  
14 management trustees who are members of the state employees  
15 retirement system, who shall serve three-year terms. The management  
16 trustees shall be appointed by the Governor; (3) two actuarial trustees  
17 who are enrolled actuaries and Fellows of the Society of Actuaries. One  
18 actuarial trustee shall be nominated by the management trustees and  
19 one shall be nominated by the trustees representing employees. The  
20 Governor shall appoint the actuarial trustees for three-year terms; (4)  
21 one neutral trustee who shall be chairman of the State Employees  
22 Retirement Commission. Such neutral trustee shall be enrolled in the  
23 National Academy of Arbitrators and shall be nominated by the  
24 employee and management trustees and appointed by the Governor.  
25 The neutral trustee shall serve a two-year term. If a vacancy occurs in  
26 the office of a trustee, the vacancy shall be filled for the unexpired term  
27 in the same manner as the office was previously filled. The trustees,  
28 with the exception of the chairman and the actuarial trustees, shall  
29 serve without compensation but shall be reimbursed in accordance  
30 with the standard travel regulations for all necessary expenses that  
31 they may incur through service on the commission. The chairman and  
32 the actuarial trustees shall be compensated at their normal and usual  
33 per diem fee, plus travel expenses, from the funds of the retirement  
34 system for each day of service to the commission. Each trustee shall,  
35 within ten days after [his] appointment or election, take an oath of  
36 office that so far as it devolves upon [him, he] the trustee, the trustee  
37 will diligently and honestly administer the affairs of the commission,  
38 and will not knowingly violate or willingly permit to be violated any  
39 of the provisions of law applicable to the state retirement system. Each  
40 trustee's term shall begin from the date [he] the trustee takes such an  
41 oath. The trustees shall appoint a representative from among the  
42 municipalities that have accepted the provisions of part II of chapter  
43 113, who shall serve as a municipal liaison to the commission, at the  
44 commission's pleasure and under such terms and conditions as the  
45 commission may prescribe. Each trustee shall be entitled to one vote  
46 on the commission. A majority of the commission shall constitute a  
47 quorum for the transaction of any business, the exercise of any power

48 or the performance of any duty authorized or imposed by law. The  
49 Retirement Commission shall be within the Retirement Division of the  
50 office of the Comptroller for administrative purposes only. The  
51 Comptroller, ex officio, shall be the nonvoting secretary of the  
52 commission and shall provide secretariat support to the commission.

53 Sec. 2. Subsection (a) of section 7-442b of the general statutes is  
54 repealed and the following is substituted in lieu thereof (*Effective from*  
55 *passage*):

56 (a) Any person who became a member of the municipal employees'  
57 retirement system after December 31, 1964, and who previously was a  
58 member of the state employees retirement system or the retirement  
59 system of any municipality not participating under the provisions of  
60 this part shall receive credit for the purposes of retirement under the  
61 provisions of this part for the period of [his] service with the state or  
62 such municipality if the state or municipality voluntarily chooses to  
63 transfer to the Municipal Employees' Retirement Fund from the  
64 retirement fund of the state or such municipality, by the authority  
65 having control thereof, on application of such employee, the entire  
66 amount paid into such state fund by the employee or the entire  
67 amount paid into such municipal fund by the employer and the  
68 employee as a result of the service of such employee, plus interest at  
69 the rate being paid by the retirement fund from which such amount is  
70 transferred from the date of each payment into such fund to the date  
71 such employee became a member of the municipal employees'  
72 retirement system. No transfer of employee contributions or interest  
73 shall be required whenever a former member of the tier II plan in the  
74 state employees retirement system applies for such retirement credit. If  
75 a municipality not participating under the provisions of this part  
76 declines to transfer the entire amount paid into such municipal fund  
77 by the employer and the employee as a result of the service of such  
78 employee, the member may purchase all or a portion of the credit for  
79 the member's prior service to such nonparticipating municipality by  
80 paying into the Municipal Employees' Retirement Fund (1) two and  
81 one-quarter per cent or five per cent, as appropriate, of the member's

82 salary for the period of such service, and (2) the actuarial cost  
83 determined by the Retirement Commission as necessary to fund the  
84 increased benefits payable by reason of such purchase, together with  
85 interest at the rate of six and one-half per cent, compounded annually,  
86 on such payment. No credit shall be granted under this subsection for  
87 any period of service for which any governmental unit is or will be  
88 paying a retirement benefit or if such credit would result in multiple  
89 service credit for the same period of service. In the case of an employee  
90 who withdraws from the municipal employees' retirement system and  
91 wishes to return to a municipality not participating under provisions  
92 of this part, there shall be transferred to the retirement fund of the  
93 municipality to which [he] such employee is returning the entire  
94 amount paid into the Municipal Employees' Retirement Fund by the  
95 employer and the employee, together with interest at the rate being  
96 paid by the Municipal Employees' Retirement Fund as the result of the  
97 services of such employee.

This act shall take effect as follows:	
Section 1	<i>from passage</i>
Sec. 2	<i>from passage</i>

**LAB**      *Joint Favorable Subst.*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

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***OFA Fiscal Note***

***State Impact:*** None

***Municipal Impact:*** None

***Explanation***

The bill allows an employee to purchase credit in the Municipal Employee Retirement Fund (MERF) for service in a non-MERF town. Since the bill requires the purchase payment to cover the actuarial cost of the benefit it does not result in any fiscal impact to MERF.

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**OLR Bill Analysis**

sHB 6355

***AN ACT CONCERNING PURCHASE OF CREDIT IN THE MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM FOR SERVICE TO MUNICIPALITIES THAT ARE NOT SYSTEM MEMBERS*****SUMMARY:**

This bill authorizes an employee who earned municipal retirement credit at a town that is not a member of the Municipal Employee Retirement Fund (MERF) and then went to work for a MERF-member town to purchase retirement credit based on the earlier service under certain conditions. The bill allows such a purchase if the non-MERF town declines to transfer the appropriate retirement contributions to MERF. It specifies the purchase must be the equivalent of (1) 2.25% or 5%, as appropriate, of the employee's salary during the service period with the non-MERF town; (2) the actuarial cost determined necessary by the state Retirement Commission to fund the increased benefits payable because of the purchase; and (3) interest of 6.5%, compounded annually, on the combined payment total of (1) and (2). Under current law the non-MERF town may voluntarily transfer such funds for the employee's previous service, but there is no provision for the employee to purchase service credit.

The bill prohibits any retirement credit purchased under the bill from being used for two different retirements.

The bill also requires the state retirement commission trustees to appoint a representative from the MERF towns to act as a municipal liaison to the commission. The liaison will serve at the commission's pleasure under terms and conditions it sets.

EFFECTIVE DATE: Upon passage

**BACKGROUND*****MERF***

MERF is a statewide municipal retirement fund created by statute and

administered by the state retirement commission (part of the comptroller's office). Municipalities can voluntarily opt into MERF if they agree to meet specified financial requirements. There are more than 50 towns that have all or some of their employees participating in MERF.

MERF is funded through contributions by participating employees and their employers. Employees pay 2.25% of their pay if their employment is covered by Social Security and 5% if it is not covered by Social Security.

### **COMMITTEE ACTION**

Labor and Public Employees Committee

Joint Favorable Substitute

Yea 14      Nay 0